The imaginary constitution of financial crises

Abstract

This paper proposes an alternative sociological framework for dealing with the *imaginary constitution of financial crises*. Theorisation of financial crises is often limited by dualistic juxtaposition of the rational and irrational, moral and immoral, calculative and intuitive, thus neglecting the imaginary structuring of such dyads in the construction of financial and fiscal realities. To address this lacuna, we introduce ideas from philosopher, Cornelius Castoriadis, and develop a framework that unpicks the often-suppressed, mediating and generative role of imagination in finance. On the one hand, we show how dominant forms of imagination enable the financialisation of contemporary societies, serving to sustain existing debt practices and lender–debtor relationships. On the other hand, we propose a reanimated 'sociological imagination' that offers potential avenues for establishing alternative social visions of the future that will enable re-thinking of the nature of debt, money and financial institutions.

Keywords: financial crises, financialisation, sociological imagination, sociology of debt, Cornelius Castoriadis

From risk economies to the debt crisis: The neglected role of imagination

Following the outbreak of the 2008 global economic crisis, governments in the USA and the EU sought to recapitalise their credit-bereft financial institutions through an unprecedented shift of privately-held risk to individual households. The unravelling of the crisis is now familiar: by 2007, widespread and largely unregulated and speculative use of financial instruments, such as high-risk derivative products, had led to increasingly unsustainable levels of 'toxic' debt in the USA's financial systems that spread out to the Eurozone and across the globe, causing a wave of commercial bank bailouts, and pushing a number of states to the brink of default on their debts. At the same time, extensive adoption of fiscal austerity in the Eurozone was the dominant and persistent response to the crisis, with devastating consequences for countries in the European South (for detailed reviews of this process and its links to neoliberalism, see Centeno & Cohen, 2012; Coppola, 2018).

Sociologists have examined how economic crises are precipitated by the social construction of financial markets, demonstrating in particular how risk and debt are co-implicated in the production (and prediction) of 'economic futures' (e.g. Knorr Cetina & Preda, 2007; Mackenzie, 2011). Economists, on the other hand, have focused on excessive risk taking, which, it has been argued, was due to a 'failure in modelling: a failure to understand systemic risk, and a failure to estimate well small probability events' (Stiglitz, 2010). Yet, as Centeno and Cohen (2012) demonstrate, despite existing models' rhetoric of criticism, the economic 'rules of the game' remain unchanged. Importantly for sociologists and social theorists, the ability to re-imagine ways *out of* the crisis (Aspers & Dodd, 2015; Adkins, 2009, also see Gane, 2011) seems also to have stagnated. As Gane and Back (2012, p. 419) put it, neoliberalism's permeating ability invites an ‘opening out’ to the world in the form of a heightened ‘sensory attentiveness’ that would enable a ‘different kind of social imaginary’.

A stream of recent edited collections and special issues in various fields of social science (e.g. Coleman & Tutton, 2017; Terranova, 2015; Dinerstein, Schwartz, & Taylor, 2014; Haiven & Berland, 2014) has initiated fruitful debate around more ‘imaginative’ conceptual approaches to understanding the causes of the 2008 crisis. One such route has been offered by disciplines outside of sociology and economics, which have breathed new life into the study of finance and its vicissitudes. Of particular relevance to our discussion of the role of imagination is a surge of interest in links between speculative finance and the contemporary world of literary fiction and novels. A series of exciting new works (e.g. Crosthwaite, 2019; Higgins & O’Connell, 2019; Shonkwiler, 2017) demonstrate how the fictitiousness of capital, most starkly manifested in the intensified fictionality of modern financial instruments such as the derivative (which was arguably central to the credit crunch), has come to resemble the world of speculative fiction. Mary Poovey (2008), a pioneering figure in this genre of work, shows how literary forms of writing have mediated and reflected the operations of financial markets organised around credit and debt.

More recently, there have been renewed calls to engage more closely with the social sciences, and more daringly with the ‘kinds of culture that feed on and feed into the regime of economic abstraction and financialization’, in order to explore how financial markets are ‘represented and imagined’ (Knight, 2013, p. 3). Yet little work has focused on the key role of imagination in constructing specific notions of risk, debt and obligation, which are implicated in the causes and deepening of the crisis. For instance, although the ‘imaginative practices’ surrounding the complex, technology-supported products of financial innovation have been mainstreamed (e.g. Government

Office for Science, 2015), our understanding of the resulting social changes and the vocabularies we use to narrate these changes, including their implications, are lagging behind imaginative financial practices.

In this article, we attempt to provide such a vocabulary, by suggesting a potential avenue for mobilising 'sociological imagination' in order to engage with financial crises.[1] We argue that enacting the sociological imagination – the ability to provide critical scholarship aiming to impact on change (Mills, 1959) – seems more important than ever today (Gane, 2011), but this can no longer be confined to the realm of sociology. Works from the broader social sciences and philosophy must be engaged with in order to 'debate important public issues and approaches from social theory outside of its own boundaries' (Joas, 1989, p. 1184). This article seeks to do this by drawing on the works of political philosopher, Cornelius Castoriadis to propose an analysis of financial crises as the manifestation of a specific imaginary social order.

For Castoriadis, imagination is the driver of all life and creativity (Castoriadis, 1987); it 'provides a framework for structuring and giving meaning to actions and behaviours of social collectivities, such as organizations and societies' (Komporozos-Athanasiou & Fotaki, 2015, p. 325). It is through a collective sense of imagination that a society is created, given coherence and identity, and also subjected to both mundane and radical social change. We develop these ideas to deepen and extend the notion of sociological imagination in critical social theory, by incorporating discursive, affective and representational dimensions to theorise its generative role in the constitution of financial crises. We propose that the performance of financial and calculative practices reflects dominant images of the future invested with meanings and affects by financial actors. It also foregrounds the potential for *resistance* to such images/meanings/affects by enacting *alternative imaginations*; that is, re-imagining the nature of debt, money and financial institutions.

The overall goal of this article is thus both deconstructive and constructive. First, we uncover the imaginary foundations of financialisation and how it has transformed our imaginations in determining who and what is valuable and imaginaries of debt and credit (Davies, 2018; Graeber, 2014; Lazzarato, 2015a, 2015b). We suggest that the current values encoded in our social imaginary, as 'social forms that characterize Western modernity: the market economy, the public sphere, the self-governing people, among others' (Taylor, 2002, p. 92), enable debt-fuelled crises, and unsustainable fiscal austerity as the dominant response to such crises. Second, we argue that possible responses to financialisation may emerge through a radical re-imagining of current arrangements to suggest different ways of organising *vis-a-vis* financial institutions. To do so, it is essential to introduce the notion of imagination as an *enabler* for enacting different values.

The remainder of this article is organised as follows. The next section discusses debates on imagination which, as we argue, focus problematically on a dichotomy between rationality and irrationality. We then draw on Castoriadis to address the shortcomings of existing approaches and move beyond such hierarchical dualisms. We propose a framework that unpicks the role of imaginary conditions (including representations, discursive structures and affects; see also Komporozos-Athanasiou & Fotaki, 2015) of risk and debt relations in the constitution of financial crises. In conclusion, we argue for a need to recognise existing (and develop new) avenues through which to establish alternative social visions of the future, and highlight some wider implications for contemporary social theory.

The rationality *versus* irrationality debate in critical social theory

As we have suggested so far, there has been little direct engagement with the importance of imagination in finance, especially around the entanglement of the rational and irrational in the performance of financial markets.[2] Influential economic sociology studies have long rejected the notion of 'disembedded' rational economic agents, arguing that they are situated in complex webs of social ties and personal interactions (see, for instance, Granovetter & Swedberg, 2001; White, 1981; Granovetter, 1985), yet have tended to neglect the role of the irrational and have often failed to grasp the notions of the 'imagination' and the 'imaginary'.[3] This is despite nuanced theorisation of the intimate relationship between rationality and irrationality in classic texts (e.g. Marx and Weber), and despite contemporary consumerist culture (Boden & Williams, 2002) providing plentiful examples for sociologists interested in their inherent interplay in the constitution of social reality and in politics (Latimer & Skeggs, 2011). Nevertheless, in many sociological debates on markets and financial crises, irrationality continues to be defined with reference to – and juxtaposed against – rationality.

Weber considers rationality most notably in relation to technical control through calculative thinking, although there are 'moments where Weber admits that the irrational element applies to every experience' (Sica, 1988, p. 172). His texts showcase this relationship between rational and irrational properties most fundamentally in the contradictory co-existence of the endless pursuit of capital accumulation, the asceticism of the Protestant ethic, and the belief in redemption. Thus, Weber is resistant to calling a certain type of human action 'rational' and another 'irrational': 'The good question was not to ask: is this action rational … but rather to explore what is the rationality of this action' (Szelenyi, 2016, p. 5). Other Weberian scholars, such as Wagner (1994) and Swidler (1973), concur that Weber was particularly torn between the ‘progress’ of rationalisation and its irrational components: ‘[Weber] attempted to make intelligible this general process of the rationalization of our whole existence precisely because the rationality which emerges from this process is something specifically irrational and incomprehensible’ (Löwith, 1982, cited in Wagner, 1994, p. 64).

In economic sociology, many observers have critically examined the recent crisis in the context of growing financialisation and the economics of risk shifting, associating irrationality with financial innovations such as derivative products (e.g. Huault & Rainelli-Le Montagner, 2009; Ahrne, Aspers, & Brunsson, 2014). Two relevant arguments are offered in these commentaries. One is that increasing systemic reliance on the financialised economy is in itself an outcome of the inherent irrationality of progressively deregulated markets and the opaqueness and complexity associated with these innovations (e.g. Bryan & Rafferty, 2014; MacKenzie & Millo, 2003). The other argument centres on how the widespread economic assumption of market rationality has been convincingly deconstructed in the wake of the financial crisis (e.g. Davies & McGoey, 2012; Engelen & Faulconbridge, 2009). For instance, Engelen and Faulconbridge (2009, p. 592) argue that the credit/debt crisis demonstrated how rational and irrational choices alike are mediated by conventions, affects and emotions such as ‘greed’. In complementary and perhaps unintended ways, both arguments challenge regulatory systems’ ability to ‘tame the animal spirits of the market’ (Keynes, 1936, cited in Nicholson, Kiel, & Kiel-Chisholm, 2011) and indebted governments’ ability to return to fiscal stability through ‘rational’ regulatory frameworks.[4]

Overcoming the rationality/irrationality dualism through imagination

A fruitful way of engaging with the tension between the rational and irrational in financial markets can be found in approaches that focus on the imaginary construction of regulatory logic (Beckert, 2013; Beckert & Bronk 2018; see also Massumi, 2014). Their insights highlight the role of finance and, by extension, in their failures in neoliberal markets as possible consequences not of rational or irrational acts, but of financial actors drawing on imaginary constructions to create both rational and irrational realities. Beckert (2013) invites us to take the ‘fictions’ of markets more seriously, drawing our attention to the role of ‘present imaginaries of future situations that provide orientation in decision-making despite the uncertainty inherent in the situation’. Their power to convince is not bound ‘to rational calculation’ (Beckert, 2013, p. 222). Boden and Williams (2002, p. 500) also argue that the dualism implied in the rationality/irrationality debate must be overcome in stressing, for instance, the ‘hybrid emphasis on the rationally controlled decontrol of emotion’. To achieve this, they call for ‘reanimating the sociological imagination’ by ‘breathing new emotional life into its classically rationalist bones’ (Boden & Williams, 2002, p. 500). This call also resonates with Latimer and Skeggs (2011), who posit that any re-imagining of the political must go hand in hand with an exploration of imagination, as one of the key sites in which all political agendas are played out. Finally, Pyyhtinen (2016) proposes a re-structuring of sociological imagination to account for the material and relational aspects of social life.

Other critiques seek to transcend this dualism by explicitly affording a central role to imagination. For instance, Haiven (2015) and Haiven and Berland (2014) discuss financialisation as an outcome of the suppression of imagination. Haiven sees imagination as inherently ‘positive’ and belonging to the realm of the creative arts and culture, while distinguishing it from the ‘irrational’ imaginary of capitalist production, which is disembodied, abstract and divorced from the lived reality of work. Seen through this lens, the global financial crisis is the outcome of the dominance of capitalist irrationality, which takes the form of creativity striving for individualism and profit, rather than real imagination working toward the common good. Hence, for Haiven (2015), it is the suppression and *financialisation of imagination* that corrupts and undermines the reproduction of our own lives as we become increasingly overworked, privatised, alienated and wrapped in debt. In this way, capitalism's inherent and recurrent crises are externalised onto individuals and communities.

Such nuanced links between finance and the imagination can be traced as far back as Marx's own discussion of 'fictitious capital', which established a close relationship between rationality, imagination and speculative futures.[5] Marx's insight perhaps captured most closely the future-oriented role of the imagination in his discussion of irrational longings and desires that perpetuate 'market dis-equilibriums'. He explicitly recognised links between imagination and the production of a certain type of capitalist rationality when writing about 'the imaginary appetites' that replace real needs with 'fantasy, caprice and whim' (Marx, 1972, cited in Lyng, 2005), leading to excessive consumption and alienation from the products of one's work.

Bryan and Rafferty (2014) show how a more nuanced view of imagination may illuminate the practices of financial actors in the years preceding the 2008 crisis. They discuss how the 'imaginative acts' of financial inventors 'decompose social practices and events into attributes that can be "objectively" measured (not easily manipulated), of probabilities that can be calculated and prices configured, and for all of which enough "players" are willing to take each side of a contract to form a market' (Bryan & Rafferty, 2014, p. 893). Specifically, the authors investigate 'the social impact of the imaginary of derivatives', and how derivatives embody an imminent development in capitalist markets and society at large. Their thesis is that a regulatory focus (such as that enforced in state bureaucracies) is insufficient to prevent failures triggered by risk-taking practices, insofar as it fails to address the social and imaginary constitution of those practices. In this vein, there have been increasing calls (e.g. Toscano, 2014; Albo, Gindin, & Panitch, 2010; Mattick, 2011) warning sociologists not 'to give disciplinary support to the imprecise imaginary of a contemporary reformism, which regards the return of the state and of regulation as a panacea for crisis' (Toscano, 2014, p. 1028).

Our article responds to these calls by developing a framework that challenges the view of an inherently 'positive' imagination becoming (passively) 'financialised'. Hence, rather than merely discussing an 'imagination (in) crisis' or a financialised imaginary resulting from a bureaucratic capture, it proposes that the unfolding of financial crises should be considered as an '*imagination struggle*' between different, actively instituting types of dominant (financial) and alternative (social) imaginations. In so doing, it foregrounds the interplay of the *financial* and the *social* in the field of the imaginary. To achieve this, we now turn to the work of political philosopher, Cornelius Castoriadis.

Re-engaging sociological imagination through Cornelius Castoriadis

Castoriadis (1987) offers a sociologically-oriented view of human imagination as a structuring force for all meaningful activity. His theory of imagination is underpinned by three core concepts: representation, signification and affect. These serve as a generative matrix for the creation of meaning for individuals and societies (Komporozos-Athanasiou & Fotaki, 2015), and can be summarised as follows. First, representation is understood as a non-functional ability to produce new images that are not reflections but *conditions* of reality. Second, signification is positioned as openness and indeterminacy of meaning, as a conscious 'act' of breaking with inherited 'closures of meaning'. Third, affect encompasses the desire to take ownership of indeterminacy, enabling the discovery of new meaning and potentialities. As it plays a key role in connecting the psychic with the social/political, it re-enforces a sociological view of imagination.

In offering a radical theory of imagination born out of the desire of the psyche and necessity, Castoriadis powerfully elucidates how the ‘actual’ institution of society is made possible, representable, and thus meaningful. As we have shown elsewhere (Komporozos-Athanasiou & Fotaki, 2015), he achieves this by rendering meaningless any dichotomies between the representational and non-representational, rational and irrational, and affective and discursive. Insofar as rationality is inherently constituted through imagination in a process of ‘instituting’, once a type of rationality has been ‘instituted’ (such as ‘pseudo-rationality’; see Castoriadis, 1987), it becomes a measuring stick for various other significations and meanings, rendering them rational, irrational or even a-rational. In other words, specific (ir)rationalities are socially instituted norms and practices that govern social life and cannot exist outside collective rationalities. Simultaneously, by emphasising the creative function and potentiality of institutions rather than their role in (merely) reproducing (dominant) structures and meanings, Castoriadis (1987, p. 72) shows that ‘the historical world is the world of human *doing*’.

The conceptual innovation of a productive (rather than reflective or merely re-productive) imagination positioned at the centre of the social creation process has powerful implications for understanding how the social world is organised. As Joas (1989, p. 1188), reviewing Castoriadis’s work, puts it, ‘Castoriadis is working with concepts of the theory of action that cannot be made to fit the rigid dichotomy of theoretical models of rational action and their normative critique’. This is because he reconceptualises the entire idea of creative praxis as a stimulus for political action, originally conceived by Marx, through the imaginary (see also Kurasawa, 2000).

This is evident in Castoriadis's discussion of autonomy in society's positing of its own laws. He uses the example of Sophocles' Antigone to show how autonomous action does not disclose a rationalist view of the world where one person's right collides with another's. Antigone's notion of 'right' is not simply one-sided; *it is her own.* This question of 'taking ownership' of one's own moral laws, and thus of one's own imagination, is key in advancing a sociological imagination: its products (meanings, laws, institutions) are *enacted* though not necessarily *determinable*, and are therefore open to *re-imagining*. This view resonates with work by Ruth Levitas (2013), who builds on a long tradition of utopian thinking in political science and philosophy in challenging the dichotomy between real and 'utopian' futures. Following Ernst Bloch, Levitas foregrounds anticipatory consciousness, which animates the belief that a different reality and relationship with the future is possible. She thus rehabilitates what we can term, after Castoriadis, 'imaginary strivings'.

Importantly, this approach contributes nuances to C. W. Mills's sociological imagination as a factor in facilitating social change, while providing further insights into the unravelling of financial crises. Specifically, Castoriadis's anti-dualistic conception of rationality encompassing irrationality as ir(rationality) prompts us to discuss financial crisis as an 'imagination struggle'. First, such a view suggests that imagination plays a subtle yet important role in structuring 'the creation of rationalities' which underpin not only financial institutions but also the regulatory systems aiming 'to control' them. Second, this view corresponds with Mills's (1959, p. 6) own claim that 'sociological imagination enables us to grasp history and biography and the relations between the two within society'. In particular, Castoriadian imagination illuminates the mechanics of such relations between history and biography, revealing the relationship between a society 'instituting' *and* being 'instituted' or, in his own words, 'of history made and of history in the making' (Castoriadis, 1987, p. 108).

The ways through which this process of imaginary constitution is achieved comprises, as we have seen, representation, signification and affect. Crucially, imaginary constitution suggests that collective entanglements of images, discourses and affects may give rise to new representations and re-significations; they may institute new rationalities, which may escape dominant imaginations. The next section considers how this might be possible, focusing on the fiscal aspect of financial crises, and the constitution of debtor–creditor relations under the influence of financialisation.

Discussion: Debt and austerity as crises of imagination

Having discussed the role of imagination in creating dominant conceptions of (ir)rationality and its failures, we now consider the consequences of the crisis, experienced in the repositioning of social and political relations in terms of individual (private) and sovereign (state) debt. This development of debt relations has important material, political and ethical implications stemming from the financial crisis, which *can be viewed as a struggle between different types of imagination* (and their constitutive representations, significations and affects). On the one hand, there is the imagination embodied in rational and calculative/controlling practices of financial markets, which corresponds with the 'instituted imagination' in Castoriadis's framework. This type of imagination reflects the *dominant* form of discursive significations with its concomitant representations of the future and corresponding affects. Yet although instituted imagination leads to a specific market-type rationality, it also co-exists with another type of 'instituting imagination' enacted by all 'social doing', including acts of both identification and dis-identification, with the potential to drive alternative visions of the future.

For instance, in the Eurozone crisis, we can trace the dominant imagination central to the workings of financial markets and institutions, as well as their regulatory systems. At its root lies a moral imperative to impose sacrifice and punishment for unsound economic practices and to reduce ‘profligate’ spending. While the target of such cuts is invariably the public spending that often benefits the most vulnerable groups, such policies are legitimised vis-a-vis its citizens as necessary to avert an even bigger crisis of state insolvency. This is, in fact, what weaves together the imagined financial futures by moulding perceptions of risk and debt, ultimately leading to a horizon of possibility that is at once dislocated and delimited.

For example, Dubois (2014) argues that neoliberal economics in the late post-crisis capitalism did not re-invent the relationship of implicated actors (financial institutions, debtors and lender states) with the future, but rather extended it. The Eurozone’s sovereign debt crisis encapsulated this policy of ‘avoidance’ to address the causes of financial crises in the most spectacular and profound ways, while also echoing the narrative of ‘there is no alternative’ to austerity on the periphery of the Eurozone, in effect foreclosing the possibility of imagining alternative futures. This foreclosure relied on and served the purpose of suppressing the symbolic and material violence that indebtedness brought to weaker Eurozone members.

Yet another type of imagination was also at play, acting as an instituting force to enact autonomy through the ability to re-imagine given rules and laws and bring about social change. Such imagination can thus ‘re-locate’ visions of the future back within actors’ own control by addressing the ‘self-occultation’ of society’s own power to institute itself (Castoriadis, 1997, pp. 132–133). Reconnecting with the instituting imagination is central to any political project aiming to open up the possibility of a different future. It requires actors collectively to recognise their own role in sustaining current financial governance systems and strive for new imaginaries, relying both on their embodied collective memory, and on reorganising information collection and calculation. In the remainder of this article, we illuminate this dialectic by focusing on imagination as an interplay of representations, significations and affects underpinning debt relations.

Representation

Debt works on both collectivities and individual human psyches by producing images that are meant to move us emotionally or merely satisfy the voyeuristic viewer (Debord, 1994), rather than providing any factual information. Indeed, as Bottici (2014) argues, on a global scale, images dominating media representations of the debt crisis seemed to be chosen on the basis of their ability to affect the public's imagination. This was aptly demonstrated, for instance, in the grouping of indebted economies in the European South and Ireland under the zoomorphic terminology of PIIGS, evoking images of sloth, excess and impurity (Stavrakakis, 2014), and in the narrative of much-needed 'reforms' that somehow centred on reducing support for the most vulnerable sections of the population (Fotaki, 2015). Absent from such representations were explanations of the reasons for 'reckless lending' by, for instance, French and German banks to Eurozone countries in Southern Europe and to Ireland. Importantly, such practices conjured up a representational *gap*, compounded by financial capital's own 'optimistic' apprehensions of the future (Haiven, 2010). These involved positive imagery around market efficiency, manifested in 'triple A' ratings of financial institutions right up to the outbreak of the crisis.

Dardot and Laval (2014) argue that these representations enabled risk to be offloaded in opaque ways, for example as securitised debt within financial networks that the new regulatory systems could not reach. A dislocated future is also engendered by derivative contracts that, rather than simply being ‘ways that individual investors diversify risk’, serve to re-allocate social power and capital, thus functioning as ‘imaginary constructs that do real disciplinary work’ (Haiven, 2010, p. 17). In such ways, images of risk and debt move further away from the public and into the private domain, in a ‘retreat to the private space’, while increasing liabilities are transferred to individuals, widening the representational gap between experienced consequences and a delayed future. Thus, the opaqueness of and disconnect between the *present* practices of debt securitisation and risk taking produce financialised imaginaries (Haiven, 2014; Haiven & Berland, 2015). Social life is increasingly defined by debt relations: social attributes of debt holders (health, class, gender) become part of what is cut out and rebranded, re-written as different kinds of financial risk, and distributed to classes of security (Adkins, 2017).

Here, Castoriadis’s concept of imagination illuminates how we might intervene by creating alternative images that can be inserted into these dominant representations and alter existing ir/rationalities, thus enabling us to establish a different relationship with the future by re-politicising the present (Kenis & Mathijs, 2014). Such intervention relies on individuals’ capacity to respond collectively to debunk false and evoke new images, or infuse the old ones with new meanings. For instance, Damasio (1999) draws on neurophysiology to show how images of possible future scenarios precede the cognitive processes through which we represent the world and imbue it with meaning. In a sense, we need to feel and think about the future *in order to* decide what to do. One such example can be found in the Occupy movement’s famous use of the ‘(We are the) 99%’ symbol, to signify all those affected by the 2008 financial crisis – an image that reflects the sense of unity and power felt by people aiming to reverse the distribution of capital in response to financialisation.

Signification

Applying Castoriadis's notion of signification also explains how the post-crisis imagination relied on a variety of discursive means to project an image of the indebted future while closing off all other possibilities. A variety of means was deployed discursively to embed such significations, of which the dominant one was the morality narrative (Coppola, 2015) of deceived big lenders (the global banks), irresponsible individual borrowers and conniving states. As Sandbu (2015) argues, this narrative also characterises the approach of lender governments such as Germany to dealing with debtor states such as Greece, and more recently Italy (any debt must be repaid in full by cutting down public spending). However, the morality argument is spurious as it cannot, on its own, sustain the future projected by economic responses to the crisis. For instance, critics arguing for further market liberalisation often reject the 'moral ground' for austerity, arguing for its necessity on the rationalist basis of their own 'economists' utopias' (see, for instance, Davies, 2018).

Another related discursive trope is the debate on the best ways to address the consequences of debt in terms of the inequalities created (Graeber, 2014), as captured in the opposition between 'Keynesian' and 'austerian' camps in the aftermath of the 2008 crisis. The former called for expansionary government spending as a means to overcome the worst effects of the crisis, which can be understood in material human terms (such as unemployment and growing poverty), while the latter insisted on curtailing public expenditure to reduce indebtedness, which is often presented as disembodied and abstract. Remarkably, in all these cases the evocative language used to describe the causes of crisis was couched in terms of individual vices, whilst 'solutions' were presented as sanitised technical issues with no consequences for human lives. The 'signification gaps' between the futures charted by such solutions and the meanings afforded to 'debt', 'risk' and 'obligation' in the present are widened, in what Cooper (2011, p. 31) calls 'the delirium of debt', reflecting the speculative nature of debt as the future promise of neoliberalism. The *present* is thereby pushed to its 'ultimate limit'. Insofar as debt must eventually redeem future promises, it is 'not merely promisory or escapist but also deeply *materialist*: that is it seeks to materialize its promise in the production of matter, forces, and things' (Cooper, 2011, p. 31). Lazzarato (2012) describes this process as 'debt imaginaries' that produce 'enclosures of [a commodified] future', thus limiting 'what is possible to imagine' (Haiven, 2015, p. 125).

Yet dominant debt narratives must also be seen as expressions of a struggle between financial and alternative social imaginations, which thus remain open to challenge. Re-signification must rely on deconstructing how the present becomes eliminated and revealing the illusory premises of debt futures. Brassett and Clarke (2012, p. 17) show how the act of *re-signifying* the consequences of financial crises, for instance portaying home foreclosures and unemployment as 'traumatic events', may strengthen the practical potential of political movements (against financial authority): 'if home foreclosure could be (re) defined as traumatic, then "victims" could potentially claim legal compensation in circumstances where it could be proved the process was avoidable'. This is very different from a passive reliance on state intervention (in the form of 'saving the banks').

Affect

The imaginary construction of debt relations also draws on affect (i.e. on what is not represented and representable) to sustain public narratives and representations. The dominant imagination of debt accumulation legitimated lenders' 'disciplining operation' in post-crisis Greece, where debt emerged as a *nodal point* of signification

(Stavrakakis, 2014, cited in Komporozos-Athanasiou & Fotaki, 2015) in relations between the state and its citizens. Such imagination 'relied on the pastoral cultivation of a particular "ideal ego" with which every Greek citizen had to identify in order to satisfy the European gaze, the big Other, and be properly "readmitted" into the Eurozone family of "normal" member-states' (Stavrakakis, 2014). Lenders and debtors are thereby affectively constituted in different ways. Excessive risk taking by the powerful (e.g. banks and government elites in the Eurozone) is often disguised and/or misrepresented as relying on rules, while the indebtedness of the relatively powerless (e.g. ordinary citizens) is cast in emotive terms as 'the fault of the individual'.

These discursive strategies are meant to evoke feelings of powerlessness in individuals who are expected to submit themselves to inevitable precarity and impending impoverishment, while deflecting their attention from the systemic causes of such outcomes. Regulatory systems operate in a similarly atomised way in imposing 'rational rules' to control the irrational and irresponsible behaviours of individuals and countries. The feeling of 'being corrupt' is then affectively experienced as guilt and shame by individual citizens, cast as their own 'moral failure'. Conversely, positive affects continue to animate beliefs in the market's effectiveness, and the associated practices of making financial products more complex, while banks have again been hoarding capital since their rescue through public funds.

These arguments point to the struggle of imagination to control the future, producing materially felt consequences that exacerbate existing power differentials. The imaginary construction of debt relations is a vehicle that carries them to a dislocated future. As Peebles (2010, p. 227) puts it, 'debt can be seen as a method devised for a debtor to borrow speculative resources from his/her own future and transform them into concrete resources to be used in the present', while for creditors, current resources are exchanged for speculative future gains. Debt thus engenders a material as well as temporal link between creditors and debtors, with important affective consequences for the regulation of this relationship.

Regulatory and fiscal policies implemented in the aftermath of the 2008 global financial crisis may ultimately lead to a state-sponsored 'debtfare state', with fiscal policy centring on suppressing wages, reducing working people's purchasing ability, and ultimately affecting their livelihoods, health and ability to survive. Hence, the failure of austerity policies adopted by states such as those in the European South should be traced to neither 'irrationality' nor 'failed rationalities', but should rather be seen as reflecting a dominant set of images, meanings and affects concerning the future: the product of *a struggle between different imaginations at work.*

Conclusions

In arguing for a new conceptual framing of imagination for studying financial crises, this article makes three key contributions. First, we have explained the deeper, structuring role of the imagination in financialisation, where institutionalised beliefs, values and practices of risk taking (all of which may be presented under the guise of irrationality or failed rationality) become co-implicated in the production of dislocated financial(ised) futures. To illustrate the serious, tangible and potentially long-lasting consequences of this process, we have focused on the constitution of debt relations in the aftermath of the financial crisis, arguing that a specific type of dominant imagination was mobilised in order to enforce concrete political, financial and fiscal realities. Using Castoriadis's framework, we have demonstrated that such material effects are predicated on mobilising images of an ever-distant future of prosperity and an increasingly inhabitable present, achieved through an interplay of representation, signification and affect.

Second, we have developed an anti-dualistic approach that unpicks and rejects a simplistic separation of the 'rational' and 'irrational' (or the 'calculative' and 'animalistic') as a starting point for explaining crises. Engaging with a long-standing sociological debate, we have argued that the rationality–irrationality relationship in financial markets is much more complex, as both are entangled in a *process* of imaginatively constituted notions such as price and risk, as well as debt and obligation. Rather than being a 'reflection' of economic rationality, these notions are 'complex representations of social forces with political agendas' (Luke, 2015, p. 280).

Third, and relatedly, we have approached the financial crisis as an ongoing *struggle* between a dominant instituted and a suppressed instituting imagination. We have argued that these two types of imagination are intertwined and embedded in discursive and affective relationships underpinning constructions of reality. Such imaginaries are designed to veil the intensity of conflicts between different social groups, as manifested in the creation of private and sovereign indebtedness. In order to articulate alternatives to the financial crisis, it is essential to uncover its imaginary constitution, a project which, as we have argued, must rely on re-animating the sociological imagination.

Our approach has important implications for economic sociologists, echoing Adkins's (2017) thesis that a sociology of debt should not be confined to anthropological analysis of the 'moral crisis' of debt, but should also challenge the rational and material underpinnings of debt relations. Our proposed framework enables a better understanding of how policy 'interventions' that aimed to address the crisis were acted out, but also highlights their inherent limitations. The very idea of 'intervening' remains ineffective insofar as it subscribes to and perpetuates a neo-(rational) bureaucratic system. Our re-centring on imagination suggests that governments' current regulatory focus serves the growing fusion of private and public realms in financial life (Negri, 2015), promoting a future defined by *their own type of imagination*. Such a future relies on specific discursive and affective structures, and is grounded in a fantasmatic narrative of independent and observable rules equally applicable in all instances. Lastly, and importantly, our perspective challenges critical theorists' endorsement of 'imagination' as something inherently 'positive' that needs to be 'unleashed' or simply 'freed' from the grip of financialisation (e.g. Haiven, 2015). Rather, we argue for an understanding of 'imaginations' in the plural, as intertwined, ever-struggling and co-institutive of financial and social futures.

Future research on financial crises should examine more closely the struggles of imagination that underpin a certain politics of crisis, in order to shed light on how and where instituting imagination is able to challenge dominant instituted paradigms. This project might be especially fruitful in areas such as social movements studies, where there is increasing interest in grassroots opportunities and innovative practices found under circumstances of austerity, in new ways of co-production, and in new forms of mutual aid to address economic and political crises, relying, for instance, on self-organising imaginaries (Lash, 2012). Highlighting the imaginary constitution of financial crises not only exposes some of the overlooked symbolic mechanics of financial markets, but also points to ways to pursue alternative radical imaginations that may widen common counter-hegemonic horizons of possibility.

References

Adkins, L. (2009). Sociological futures: From clock time to event time. *Sociological Research Online*, *14*(4), 1–5.

Adkins, L. (2017). Speculative futures in the time of debt. *The Sociological Review*, *65*, 448–462.

Ahrne, G., Aspers, P., & Brunsson, N. (2015). The organization of markets. *Organization Studies, 36,* 7–27.

Albo, G., Gindin, S., & Panitch, L. (2010). *In and out of crisis: The global financial meltdown and left alternatives*. Oakland, CA: PM Press.

Alderman, L. (2018). Europe says Greece is a comeback story: The IMF isn't convinced. *New York Times,* 31 July 2018. https://www.nytimes.com/2018/07/31/business/greece-imf-bailout.html

Aspers, P., & Dodd, N., Eds (2015). *Re-imagining economic sociology*. Oxford: Oxford University Press.

Beckert, J. (2013). Imagined futures: Fictional expectations in the economy. *Theory and Society, 42,* 219–240.

Beckert, J., & Bronk, R., Eds (2018). *Uncertain futures: Imaginaries, narratives, and calculation in the economy*. Oxford: Oxford University Press.

Boden, S., & Williams, S. J. (2002). Consumption and emotion: The romantic ethic revisited. *Sociology, 36,* 493–512.

Bottici, C. (2014). *Imaginal politics: Images beyond imagination and the imaginary*. New York, NY: Columbia University Press.

Brassett, J., & Clarke, C. (2012). Performing the sub-prime crisis: Trauma and the financial event. *International Political Sociology, 6,* 4–20.

Bryan, D., & Rafferty, M. (2014). Financial derivatives as social policy beyond crisis. *Sociology, 48,* 887–903.

Castoriadis, C. (1987). *The imaginary institution of society.* Cambridge, MA: MIT Press.

Castoriadis, C. (1991). The nature and value of equity. In D.A. Curtis (Ed.), *Philosophy, politics, autonomy* (pp. 124–142). Oxford: Oxford University Press.

Centeno, M. A., & Cohen, J. N. (2012). The arc of neoliberalism. *Annual Review of Sociology*, *38*, 317–340.

Coleman, R., & Tutton, R. (2017). Introduction to special issue of Sociological Review on ‘Futures in question: Theories, methods, practices’. *The Sociological Review*, *65*, 440–447.

Cooper, M. (2011). *Life as surplus: Biotechnology and capitalism in the neoliberal era*. Washington, DC: University of Washington Press.

Coppola, F. (2015). Grexit, Brexit and financial stability. Frances Coppola Lecture given at Birmingham University’s Finance Forum, 30 October 2015. http://www.coppolacomment.com/2015/11/grexit-brexit-and-financial-stability.html

Coppola, F. (2018). The greatest depression. *Forbes*, 31 July. https://www.forbes.com/sites/francescoppola/2018/07/31/the-greatest-depression/#5edf70f1346d

Crosthwaite, P. (2019). *The market logics of contemporary fiction*. Cambridge: Cambridge University Press.

Damasio, A. R. (1999). *The feeling of what happens: Body and emotion in the making of consciousness*. Boston, MA: Houghton Mifflin Harcourt.

Dardot, P., & Laval, C. (2014). *The new way of the world: On neoliberal society*. New York, NY: Verso Books.

Davies, W., Ed. (2018). *Economic science fictions*. Cambridge, MA: MIT Press.

Davies, W., & McGoey, L. (2012). Rationalities of ignorance: On financial crisis and the ambivalence of neo-liberal epistemology. *Economy and Society, 41*, 64–83.

Davis, A. (2018). Defining speculative value in the age of financialized capitalism. *The Sociological Review*, *66*, 3–19.

Debord, G. (1994). *The society of the spectacle*. New York, NY: Zero Books.

Dinerstein, A. C., Schwartz, G., & Taylor, G. (2014). Sociological imagination as social critique: Interrogating the 'global economic crisis'. *Sociology*, *5*, 859–868.

Dubois, V. (2014). The economic vulgate of welfare reform: Elements for a socioanthropological critique. *Current Anthropology*, *55*(S9), S138–S146.

Engelen, E., & Faulconbridge, J. (2009). Introduction: Financial geographies – the credit crisis as an opportunity to catch economic geography's next boat? *Journal of Economic Geography*, *9*, 587–595.

Fotaki, M. (2015). Why the No vote was a triumph of democracy over austerity. *The Conversation*, 6 July. https://theconversation.com/why-the-no-vote-was-a-triumph-of-democracy-over-austerity-44316

Gane, N. (2011). Measure, value and the current crises of sociology. *The Sociological Review*, *59*, 151–173.

Gane, N., & Back, L. (2012). C. Wright Mills 50 years on: The promise and craft of sociology revisited. *Theory, Culture & Society*, *29*(7-8), 399–421.

Government Office for Science (2015). *FinTech futures – The UK as a world leader in financial technologies: A report by the UK Government Chief Scientific Adviser*. London: HMSO. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413095/gs-15-3-fintech-futures.pdf

Graeber, D. (2014). *Debt – updated and expanded: The first 5,000 years*. Brooklyn, NY: Melville House.

Granovetter, M. (1985). Economic action and social structure: The problem of embeddedness. *American Journal of Sociology, 91,* 481–510.

Granovetter, M., & Swedberg, R. (2001). Introduction to the second edition. In M. Granovetter, & R. Swedberg (Eds), *The sociology of economic life* (pp. 1–28). Boulder, CO: Westview Press.

Haiven, M. (2010) The financial crisis as a crisis of imagination. *Cultural Logic: An Electronic Journal of Marxist Theory & Practice, 17*. https://doi.org/10.14288/clogic.v17i0.191526

Haiven, M. (2015). *Crises of imagination, crises of power*. London: Zed Books.

Haiven, M., & Berland, J. (2014). Introduction: The financialized imagination (in memory of Stuart Hall). *Topia: Canadian Journal of Cultural Studies, 30*, 7–16.

Higgins, D. M., & O'Connell, H. C. (2019). Introduction: Speculative finance/speculative fiction. *CR: The New Centennial Review*, *19*(1), 1–9.

Huault, I., & Rainelli-Le Montagner, H. (2009). Market shaping as an answer to ambiguities: The case of credit derivatives. *Organization Studies*, *30*, 549–575.

Joas, H. (1989). Review – Institutionalization as a creative process: The sociological importance of Cornelius Castoriadis's political philosophy. *American Journal of Sociology, 94*, 1184–1199.

Kenis, A., & Mathijs, E. (2014). Climate change and post-politics: Repoliticizing the present by imagining the future? *Geoforum*, *52*, 148–156.

Keynes, J. M. (1936). *The general theory of employment, interest and money*. London: Macmillan.

Knight, P. (2013). Introduction: Fictions of finance. *Journal of Cultural Economy*, *6*, 2–12.

Knorr Cetina, K., & Preda, A. (2007). The temporalization of financial markets: From network to flow. *Theory, Culture & Society*, *24*(7-8), 116–138.

Komporozos-Athanasiou, A., & Fotaki, M. (2015). A theory of imagination for organization studies using the work of Cornelius Castoriadis. *Organization Studies*, *36*, 321–342.

Kurasawa, F. (2000). At the crossroads of the radical: The challenges of Castoriadis's thought. *Theory, Culture & Society*, *17*(4), 145–155.

Lash, S. (2012). Deforming the figure: Topology and the social imaginary. *Theory, Culture & Society*, *29*(4-5), 261–287.

Latimer, J., & Skeggs, B. (2011). The politics of imagination: Keeping open and critical. *The Sociological Review*, *59*, 393–410.

Lazzarato, M. (2012). *The making of indebted man*. Los Angeles, CA: Semiotext(e).

Lazzarato, M. (2015a). *Governing by debt*. Los Angeles, CA: Semiotext(e).

Lazzarato, M. (2015b). Neoliberalism, the financial crisis and the end of the liberal state. *Theory, Culture & Society*, *32*(7-8), 67–83.

Levitas, R. (2013). *Utopia as method: The imaginary reconstitution of society*. Basingstoke: Palgrave Macmillan.

Löwith, K. (1982). *Max Weber and Karl Marx*. London: George Allen and Unwin.

Luke, T. W. (2015). The climate change imaginary. *Current Sociology*, *63,* 280–296.

Lyng, S., Ed. (2005). *Edgework: The sociology of risk-taking*. Hove: Psychology Press.

MacKenzie, D. (2011). The credit crisis as a problem in the sociology of knowledge. *American Journal of Sociology*, *116*, 1778–1841.

MacKenzie, D., & Millo, Y. (2003). Constructing a market, performing theory: The historical sociology of a financial derivatives exchange. *American Journal of Sociology*, *109*, 107–145.

Massumi, B. (2014). *The power at the end of the economy*. Durham, NC: Duke University Press.

Mattick, P. (2011). *Business as usual: The economic crisis and the failure of capitalism*. London: Reaktion Books.

Mills, C. W. (1959). *The sociological imagination*. New York, NY: Oxford University Press.

Negri, T. (2015). On the constitution and financial capital. *Theory, Culture & Society*, *32*(7-8), 25–38.

Nicholson, G., Kiel, G., & Kiel-Chisholm, S. (2011). The contribution of social norms to the global financial crisis: A systemic actor focused model and proposal for regulatory change. *Corporate Governance: An International Review*, *19*, 471–488.

Peebles, G. (2010). The anthropology of credit and debt. *Annual Review of Anthropology*, *39*, 225–240.

Poovey, M. (2008). *Genres of the credit economy: Mediating value in eighteenth- and nineteenth-century Britain*. Chicago, IL: University of Chicago Press.

Pyyhtinen, O. (2016). *More-than-human sociology: A new sociological imagination*. New York, NY: Springer.

Sandbu, M. (2015). Free lunch: Debt and morality. *The Financial Times*, 26 June. http://www.ft.com/cms/s/3/717869de-19b4-11e5-8201-cbdb03d71480.html#axzz49cES9WC1

Shonkwiler, A. (2017). *The financial imaginary: Economic mystification and the limits of realist fiction*. Minneapolis, MN: University of Minnesota Press.

Sica, A. (1988). *Weber, irrationality, and social order*. Berkeley, CA: University of California Press.

Stavrakakis, Y. (2014). Debt society: Psychosocial aspects of the (Greek) crisis. In M. Fotaki, & K. Kenny (Eds), *The psychosocial and organization studies: Affect at work* (pp. 33–59). London: Palgrave Macmillan.

Stiglitz, J. (2010). The financial crisis of 2007/2008 and its macro-economic consequences. In S. Griffith-Jones, J. A. Ocampo, & J. E. Stiglitz (Eds), *Time for a visible hand: Lessons from the 2008 world financial crisis* (pp. 19–49). Oxford: Oxford University Press.

Swidler, A. (1973). The concept of rationality in the work of Max Weber. *Sociological Inquiry*, *43*, 35–42.

Szelenyi, I. (2016). Weber's theory of domination and post-communist capitalisms. *Theory and Society*, *45*(1), 1–24.

Taylor, C. (2002). Modern social imaginaries. *Public Culture*, *14*, 91–124.

Terranova, T. (2015). Introduction to Eurocrisis, neoliberalism and the common. *Theory, Culture & Society*, *32*(7-8), 5–23.

Toscano, A. (2014). Reformism and melancholia: Economic crisis and the limits of sociology. *Sociology*, *48*, 1024–1038.

Wagner, P. (1994). *A sociology of modernity: Liberty and discipline*. London: Verso.

White, H. C. (1981). Where do markets come from? *American Journal of Sociology*, *87*, 517–547.

Notes

[1] Despite recent calls to re-engage with C. W. Mills's sociological imagination (e.g. Gane & Back, 2012; Gane, 2011), to our knowledge the concept has not been directly engaged to deal specifically with the constitution of financial crises.

[2] Such an entanglement is acknowledged, for instance, in the famous statement by the US Congress Financial Crisis Inquiry Committee Report (2011, p. 18): 'We still don't know whether the credit bubble was the result of rational or irrational behaviour.'

[3] 'Imagination' and the 'imaginary' can usefully be distinguished, in that the former is an *individual faculty*, whereas the latter refers to the *social/structural context* of

imagination. Bottici (2014) cogently discusses this distinction, arguing that it corresponds with that between ‘reason’ and ‘rationality’.

[4] The critical analytical response to the 2008 crisis has focused largely on the role of lax regulation that ‘indulged derivative-issuing amongst trading institutions’ (Bryan & Rafferty, 2014), framing the crisis as ‘an expression of excess’ and calling for ‘a state-led return to moderation’ (ibid., p. 888). However, most regulatory initiatives on derivative trading have been at best modest in their impact on curbing the lack of transparency in trading practices, with relevant institutions continuing to hold ‘opaque financial positions’ (ibid.).

[5] For detailed discussions of Marx’s analysis of fictitious capital, see Peebles, 2010; Knight, 2013.